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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

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Gary Smith, Utility Technical Consultant

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Date: October 1, 2021

Re: **Docket No. 21-576-01**, Review of 2020 Annual Report for Skyline Telecom and Recommendations for Utah Universal Service Fund assistance for Calendar Year 2022.

Recommendation (No Action)

The Utah Public Service Commission (Commission) is currently not making payments from the Utah Universal Service Fund (UUSF) for assistance to Skyline Telecom (Company). The Division of Public Utilities (Division) recommends no change in the distribution of UUSF.

Issue

The Division has reviewed the 2020 Annual Report of the Company submitted on April 15, 2021. Pursuant to Commission rule R746-8-401(a) and (b), the Division has calculated the annual UUSF eligibility and finds the Company does not qualify for any distribution effective January 1, 2022.

Background

Commission Rule R746-8-401 requires the Division to recommend to the Commission adjustments to the monthly UUSF distribution for each provider based on the Federal Communications Commission (FCC) rate of return set forth in R746-8-401(3)(a) and the providers financial information from its last annual report filed with the Commission. This memo presents the Division's recommendation of UUSF distribution for the Company.

Discussion

In calculating the UUSF eligibility for Skyline Telecom, the Division utilized the following:

- 1) Rate of Return –The FCC prescribed Rate of Return (ROR) changed on July 1, 2021. The Division used the 9.75% ROR that would be applicable from January to December, 2022.
- 2) State and Federal Income Tax – The Division used a federal tax rate of 21% and a Utah tax rate of 4.95% to estimate future income taxes included in the UUSF calculation.
- 3) Depreciation – The Company utilizes group asset depreciation rather than single asset straight line depreciation. Depreciation expense may be affected by proposed rule changes for companies using group asset depreciation.
- 4) Wholesale Broadband – The Company does not provide broadband access to their affiliate or consumers in a bundled package.
- 5) Consumer Broadband – The Company provides Consumer Broadband Only Loop (CBOL) at a rate above the affordable rate of \$25.00 plus the EAS rate.

Conclusion

Based on the review of the 2020 Annual Reports submitted by the Company and the factors discussed above, the Division finds the Company is not eligible for UUSF payments. The Division recommends the UUSF distribution for Skyline Telecom remain at \$0 annually.

cc: Ross Cox, Skyline Telecom